

IOWA VALLEY COMMUNITY SCHOOL DISTRICT
MARENGO, IOWA

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2005

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IOWA VALLEY COMMUNITY SCHOOL DISTRICT

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>Board of Education</u>		
(Before September 2004 Election)		
Don Cronbaugh	President	2005
Vanessa Freshour	Vice President	2004
Kenneth Caes	Board Member	2005
Jane Fry	Board Member	2006
Michael Smith	Board Member	2006
<u>Board of Education</u>		
(After September 2004 Election)		
Don Cronbaugh	President	2005
Michael Smith	Vice President	2006
Kenneth Caes	Board Member	2005
Jane Fry	Board Member	2006
Judith Huxford	Board Member	2007
<u>School Officials</u>		
Dr. Philip Wainwright	Superintendent	2005
Lynda K. Johnson	District Secretary/Treasurer	2005
Harned & McMeen	Attorney	2005

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of
Iowa Valley Community School District:

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Iowa Valley Community School District, Iowa, as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these basic financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Iowa Valley Community School District as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated December 2, 2005 on our consideration of Iowa Valley Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The budgetary comparison information on pages 40 through 42 is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The District has not presented management's discussion and analysis which introduces the basic financial statements by presenting certain financial information as well as management's analytical insights on that information that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Iowa Valley Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2004 (none of which are presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Oskaloosa, Iowa
December 2, 2005

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Basic Financial Statements

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS

June 30, 2005

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and pooled investments	\$ 82,230	\$ 27,140	\$ 109,370
Receivables:			
Property tax:			
Current year	44,514	-	44,514
Succeeding year	1,595,000	-	1,595,000
Income surtax	291,992	-	291,992
Due from other governments	120,782	-	120,782
Inventories	-	4,910	4,910
Restricted ISCAP assets (note 4):			
Investments	1,430,274	-	1,430,274
Accrued interest receivable	6,907	-	6,907
Capital assets, net of accumulated depreciation (note 5)	4,210,105	12,119	4,222,224
Total assets	7,781,804	44,169	7,825,973
Liabilities			
Accounts payable	28,819	-	28,819
Salaries and benefits payable	540,898	10,859	551,757
Accrued interest payable	8,730	-	8,730
ISCAP warrants payable (note 4)	1,428,000	-	1,428,000
ISCAP accrued interest payable (note 4)	7,977	-	7,977
Deferred revenue:			
Succeeding year property tax	1,595,000	-	1,595,000
Other	-	2,616	2,616
Long-term liabilities (note 6):			
Portion due within one year:			
Early retirement	50,649	-	50,649
Bonds payable	155,000	-	155,000
Portion due after one year:			
Early retirement	113,625	-	113,625
Bonds payable	2,735,000	-	2,735,000
Total liabilities	6,663,698	13,475	6,677,173

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS

June 30, 2005

	Governmental Activities	Business-type Activities	Total
Net Assets			
Invested in capital assets, net of related debt	\$ 1,320,105	\$ 12,119	\$ 1,332,224
Restricted for:			
Physical plant and equipment levy	195,715	-	195,715
Other special revenue purposes	103,617	-	103,617
Capital projects	14,009	-	14,009
Unrestricted	(515,340)	18,575	(496,765)
Total net assets	\$ <u>1,118,106</u>	\$ <u>30,694</u>	\$ <u>1,148,800</u>

See notes to financial statements.

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
Year Ended June 30, 2005

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants, Contributions and Restricted Interest
Governmental Activities:			
Instruction:			
Regular instruction	\$ 2,319,679	\$ 129,303	\$ 254,301
Special instruction	726,870	54,895	90,515
Other instruction	580,345	163,021	9,756
	<u>3,626,894</u>	<u>347,219</u>	<u>354,572</u>
Support services:			
Student services	196,432	-	19,953
Instructional staff services	216,939	-	-
Administration services	584,055	-	-
Operation and maintenance of plant services	408,508	-	-
Transportation services	163,012	-	1,628
	<u>1,568,946</u>	<u>-</u>	<u>21,581</u>
Non-instructional programs	<u>21,568</u>	<u>-</u>	<u>-</u>
Other expenditures:			
Facilities acquisition	5,261	-	-
Long-term debt interest and fiscal charges	109,027	-	-
AEA flowthrough	189,855	-	189,855
Depreciation (unallocated) *	122,631	-	-
	<u>426,774</u>	<u>-</u>	<u>189,855</u>
Total governmental activities	5,644,182	347,219	566,008
Business-Type Activities:			
Non-instructional programs:			
Food service operations	<u>240,580</u>	<u>144,276</u>	<u>80,207</u>
Total	\$ 5,884,762	\$ 491,495	\$ 646,215

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
\$ (1,936,075)	\$ -	\$ (1,936,075)
(581,460)	-	(581,460)
(407,568)	-	(407,568)
(2,925,103)	-	(2,925,103)
(176,479)	-	(176,479)
(216,939)	-	(216,939)
(584,055)	-	(584,055)
(408,508)	-	(408,508)
(161,384)	-	(161,384)
(1,547,365)	-	(1,547,365)
(21,568)	-	(21,568)
(5,261)	-	(5,261)
(109,027)	-	(109,027)
-	-	-
(122,631)	-	(122,631)
(236,919)	-	(236,919)
(4,730,955)	-	(4,730,955)
-	(16,097)	(16,097)
(4,730,955)	(16,097)	(4,747,052)

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
Year Ended June 30, 2005

Functions/Programs

General Revenues:

Property tax levied for:

General purposes

Debt service

Capital outlay

Income surtax

Unrestricted state grants

Unrestricted investment earnings

Other

Total general revenues

Change in net assets

Net assets beginning of year

Net assets end of year

* = This amount excludes the depreciation that is included
in the direct expense of the various programs.

See notes to financial statements.

Net (Expense) Revenue
and Changes in Net Assets

Governmental		Business-Type	Total
Activities		Activities	
\$	1,519,609	\$	- \$ 1,519,609
	107,924		- 107,924
	80,391		- 80,391
	312,763		- 312,763
	2,493,451		- 2,493,451
	32,457	401	32,858
	83,081	-	83,081
	4,629,676	401	4,630,077
	(101,279)	(15,696)	(116,975)
	1,219,385	46,390	1,265,775
\$	<u>1,118,106</u>	\$	<u>30,694</u> \$ <u>1,148,800</u>

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2005

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets			
Cash and pooled investments	\$ 80,919	\$ 196,074	\$ 276,993
Receivables:			
Property tax:			
Current year	35,798	8,716	44,514
Succeeding year	1,302,000	293,000	1,595,000
Income surtax	166,853	125,139	291,992
Due from other governments	120,782	-	120,782
Restricted ISCAP assets (note 4):			
Investments	1,430,274	-	1,430,274
Accrued interest receivable	6,907	-	6,907
	<u> </u>	<u> </u>	<u> </u>
Total assets	\$ <u>3,143,533</u>	\$ <u>622,929</u>	\$ <u>3,766,462</u>

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2005

	General	Nonmajor Governmental Funds	Total Governmental Funds
Liabilities and Fund Balances			
Liabilities:			
Excess of warrants issued over bank balance	\$ 198,333	\$ -	\$ 198,333
Accounts payable	28,819	-	28,819
Salaries and benefits payable	540,898	-	540,898
ISCAP warrants payable (note 4)	1,428,000	-	1,428,000
ISCAP accrued interest payable (note 4)	7,977	-	7,977
Deferred revenue:			
Succeeding year property tax	1,302,000	293,000	1,595,000
Other	166,853	125,139	291,992
Total liabilities	<u>3,672,880</u>	<u>418,139</u>	<u>4,091,019</u>
Fund balance:			
Reserved for:			
Debt service	-	2,738	2,738
Unreserved:			
Reported in nonmajor Special Revenue Funds	-	188,043	188,043
Undesignated	(529,347)	14,009	(515,338)
Total fund balances	<u>(529,347)</u>	<u>204,790</u>	<u>(324,557)</u>
Total liabilities and fund balances	<u>\$ 3,143,533</u>	<u>\$ 622,929</u>	<u>\$ 3,766,462</u>

See notes to financial statements.

IOWA VALLEY COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 June 30, 2005

Total fund balances of governmental funds	\$ (324,557)
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	4,210,105
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.	291,992
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(8,730)
Long-term liabilities, including bonds payable and early retirement, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	(3,054,274)
The balance of the Internal Service Fund reported as a proprietary fund is included in the government-wide statements because of the relationship of the internal transactions to the government as a whole.	<u>3,570</u>
Net assets of governmental activities	<u><u>\$ 1,118,106</u></u>

See notes to financial statements.

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2005

	General	Nonmajor Governmental Funds	Total
Revenues:			
Local sources:			
Local tax	\$ 1,534,835	\$ 464,683	\$ 1,999,518
Tuition	133,010	-	133,010
Other	114,461	193,304	307,765
State sources	2,906,507	300	2,906,807
Federal sources	154,165	-	154,165
Total revenues	4,842,978	658,287	5,501,265
Expenditures:			
Current:			
Instruction:			
Regular instruction	2,362,235	16,185	2,378,420
Special instruction	726,870	-	726,870
Other instruction	412,872	167,473	580,345
	3,501,977	183,658	3,685,635
Support services:			
Student services	196,367	65	196,432
Instructional staff services	82,219	134,720	216,939
Administration services	578,151	1,866	580,017
Operation and maintenance of plant services	340,568	67,113	407,681
Transportation services	139,783	10,489	150,272
	1,337,088	214,253	1,551,341
Non-instructional programs	18,318	3,250	21,568
Other expenditures:			
Facilities acquisition	-	5,261	5,261
Long term debt:			
Principal	-	155,000	155,000
Interest and fiscal charges	-	109,415	109,415
AEA flowthrough	189,855	-	189,855
	189,855	269,676	459,531
Total expenditures	5,047,238	670,837	5,718,075
Excess (deficiency) of revenues over (under) expenditures	(204,260)	(12,550)	(216,810)

IOWA VALLEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2005

	General	Nonmajor Governmental Funds	Total
Other financing sources (uses):			
Sale of equipment	\$ 2,000	\$ -	\$ 2,000
Compensation for loss of fixed assets	20,300	-	20,300
Interfund transfers in (note 3)	-	155,800	155,800
Interfund transfers out (note 3)	-	(155,800)	(155,800)
Total other financing sources (uses)	<u>22,300</u>	<u>-</u>	<u>22,300</u>
Net change in fund balances	(181,960)	(12,550)	(194,510)
Fund balances beginning of year	<u>(347,387)</u>	217,340	<u>(130,047)</u>
Fund balances end of year	<u>\$ (529,347)</u>	<u>\$ 204,790</u>	<u>\$ (324,557)</u>

See notes to financial statements.

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2005

Net change in fund balances - total governmental funds \$ (194,510)

Amounts reported for governmental activities in the statement of activities
are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the statement of net assets and are allocated over their estimated useful lives as depreciation expense in the statement of activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 34,368	
Depreciation expense	<u>(178,950)</u>	(144,582)

Certain income surtax not received until several months after the District's fiscal year ends is not considered available revenue in the governmental funds and is deferred. It is, however, recorded as revenue in the statement of activities. 19,338

Repayment of long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the statement of net assets. 155,000

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. 388

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. 62,751

The change in the balance of the Internal Service Fund represents an overcharge to the governmental funds for services rendered and, therefore, is included in the government-wide statements to correct this effect. 336

Change in net assets of governmental activities \$ (101,279)

See notes to financial statements.

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS
PROPRIETARY FUND

June 30, 2005

	Enterprise Fund School Nutrition	Internal Service Fund Flex 125 Plan
Assets		
Cash and cash equivalents	\$ 27,140	\$ 3,570
Inventories	4,910	-
Capital assets, net of accumulated depreciation (note 5)	12,119	-
Total assets	<u>44,169</u>	<u>3,570</u>
Liabilities		
Salaries and benefits payable	10,859	-
Deferred revenue:		
Other	2,616	-
Total liabilities	<u>13,475</u>	<u>-</u>
Net Assets		
Invested in capital assets, net of related debt	12,119	-
Unrestricted	<u>18,575</u>	<u>3,570</u>
Total net assets	<u>\$ 30,694</u>	<u>\$ 3,570</u>

See notes to financial statements.

IOWA VALLEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUND
Year Ended June 30, 2005

	Enterprise Fund School Nutrition	Internal Service Fund Flex 125 Plan
Operating revenues:		
Local sources:		
Charges for services	\$ 144,276	\$ 16,212
Operating expenses:		
Non-instructional programs:		
Food service operations:		
Salaries	74,521	-
Benefits	10,085	-
Purchased services	7,747	15,876
Supplies	145,814	-
Depreciation	2,413	-
	<u>240,580</u>	<u>15,876</u>
Operating loss	<u>(96,304)</u>	<u>336</u>
Non-operating revenues:		
Interest on investments	401	-
State sources	3,238	-
Federal sources	76,969	-
Total non-operating revenues	<u>80,608</u>	<u>-</u>
Change in net assets	(15,696)	336
Net assets beginning of year	<u>46,390</u>	<u>3,234</u>
Net assets end of year	<u>\$ 30,694</u>	<u>\$ 3,570</u>

See notes to financial statements.

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
Year Ended June 30, 2005

	Enterprise Fund School Nutrition	Internal Service Fund Flex 125 Plan
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 146,554	\$ -
Cash received from miscellaneous operating activities	512	16,212
Cash payments to employees for services	(84,177)	-
Cash payments to suppliers for goods or services	(138,707)	(15,876)
Net cash provided by (used in) operating activities	<u>(75,818)</u>	<u>336</u>
Cash flows from non-capital financing activities:		
State grants received	3,238	-
Federal grants received	65,304	-
Net cash provided by non-capital financing activities	<u>68,542</u>	<u>-</u>
Cash flows from investing activities:		
Interest on investments	<u>401</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	(6,875)	336
Cash and cash equivalents beginning of year	<u>34,015</u>	<u>3,234</u>
Cash and cash equivalents end of year	<u>\$ 27,140</u>	<u>\$ 3,570</u>

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
Year Ended June 30, 2005

	Enterprise Fund School Nutrition	Internal Service Fund Flex 125 Plan
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:		
Operating income (loss)	\$ (96,304)	\$ 336
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation	2,413	-
Commodities used	11,665	-
Decrease in accounts receivable	268	-
Decrease in inventories	3,263	-
(Decrease) in accounts payable	(75)	-
Increase in salaries and benefits payable	430	-
Increase in deferred revenues	2,522	-
Net cash provided by (used in) operating activities	\$ <u>(75,818)</u>	\$ <u>336</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2005, the District received \$11,665 of federal commodities.

See notes to financial statements.

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS

June 30, 2005

	Private Purpose Trust
	<u>Scholarship</u>
Assets:	
Cash and pooled investments	\$ <u>55,915</u>
Liabilities:	
None	<u>-</u>
Net assets:	
Reserved for scholarships	\$ <u><u>55,915</u></u>

See notes to financial statements.

IOWA VALLEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
Year Ended June 30, 2005

	<u>Private Purpose Trust</u>	<u>Scholarship</u>
Additions:		
Local sources:		
Gifts and contributions	\$ 58,153	
Interest	<u>1,138</u>	
Total additions	<u>59,291</u>	
Deductions:		
Support services:		
Purchased services	10,349	
Supplies	26,398	
Other	<u>8,177</u>	
Total deductions	<u>44,924</u>	
Change in net assets	14,367	
Net assets beginning of year	<u>41,548</u>	
Net assets end of year	<u>\$ 55,915</u>	

See notes to financial statements.

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

Note 1. Summary of Significant Accounting Policies

Iowa Valley Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of Marengo, Iowa, and agricultural territory in Iowa County. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Iowa Valley Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on, the District. Iowa Valley Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations – The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Iowa County Assessor's Conference Board.

B. Basis of Presentation

District-wide Financial Statements – The statement of net assets and the statement of activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for service.

The statement of net assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management which can be removed or modified.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the District-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the main operating fund of the District. All general tax revenues and other revenues that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The District reports the proprietary fund, Enterprise, School Nutrition Fund to account for the food service operations of the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements with restrictions of income earned to be used to benefit individuals through scholarship awards and other non-District activities.

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting

The District-wide financial statements and the proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

All proprietary funds of the District apply all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the statement of net assets and the balance sheet:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable – Property tax in Governmental Funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education to the County Board of Supervisors. Current year property tax receivable represents unpaid taxes from the current year. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget to the County Auditor by April 15 of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the District-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

The property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2003 assessed property valuations; is for the tax accrual period July 1, 2004 through June 30, 2005 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2004.

Due From Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method for purchased items and contributed value for government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Capital Assets – Capital assets, which include property, furniture, and equipment are reported in the applicable governmental or business-type activities columns in the District-wide statement of net assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 2,500
Buildings	2,500
Improvements other than buildings	2,500
Furniture and equipment:	
School Nutrition Fund Equipment	500
Other furniture and equipment	2,500

Capital assets are depreciated using the straight line method of depreciation over the following estimated useful lives:

Asset Class	Estimated Useful Lives
Buildings	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-20 years

Salaries and Benefits Payable – Payroll and related expenses for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collectible within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds, the succeeding year property tax receivable and other receivables not collected within sixty days after year end.

Deferred revenue in the statement of net assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied and of unearned meal revenues in the Enterprise Fund, School Nutrition.

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation. A liability is recorded when incurred in the District-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only if they have matured as a result of employee resignations or retirements. The District had no compensated absences liability at June 30, 2005.

Long-term Liabilities – In the District-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the statement of net assets.

Fund Balances – In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Invested in capital assets, net of related debt – In the District-wide statement of net assets, the net asset balance invested in capital assets, net of related debt is equal to the capital assets balances, including restricted capital assets, less accumulated depreciation and the outstanding balances of any bonds, notes, or other debt that are attributable to the acquisition, construction, or improvement of those assets.

Restricted Net Assets – In the District-wide statement of net assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgets and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2005, disbursements in the support services function exceeded the amount budgeted.

Note 2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2005 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

Note 2. Cash and Pooled Investments (continued)

At June 30, 2005, the District had various investments as follows:

<u>Type</u>	<u>Value</u>
Iowa Schools Joint Investment Trust	\$ 259,563
Money Market Mutual Funds	<u>15,000</u>
Total	<u>\$ 274,563</u>

The District's investment in the Iowa Schools Joint Investment Trust is valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Money Market Mutual Fund is stated at fair value which is determined based on securities traded on a national or international exchange based on the last reported sales price at current exchange rates.

Interest rate risk – The District's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the District.

Credit Risk – The investments in the Iowa Schools Joint Investment Trust were rated Aaa by Moody's Investors Service. The investment in the Money Market Mutual Funds is not rated.

Note 3. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2005 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Special Revenue: Physical Plant and Equipment Levy	\$ <u>155,800</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

Note 4. Iowa Schools Cash Anticipation Program (ISCAP)

The District participates in the Iowa Schools Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity and monthly statements are provided regarding their cash balance, interest earnings, and amounts available for withdrawal for each outstanding series of warrants. These accounts are reflected as restricted assets on the balance sheet. Bankers Trust Co. N.A. is the trustee for the program. A summary of the District's participation in ISCAP as of June 30, 2005 is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
2004-05B	1/28/2005	1/27/2006	\$ 533,537	\$ 6,706	\$ 532,000	\$ 7,914
2005-06A	6/30/2005	6/30/2006	896,737	201	896,000	63
Total			<u>\$ 1,430,274</u>	<u>\$ 6,907</u>	<u>\$ 1,428,000</u>	<u>\$ 7,977</u>

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. ISCAP advance activity in the General Fund for the year ended June 30, 2005 is as follows:

Series	Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
2004-05A	\$ -	\$ 650,000	\$ 650,000	\$ -
2004-05B	-	200,000	200,000	-
Total	<u>\$ -</u>	<u>\$ 850,000</u>	<u>\$ 850,000</u>	<u>\$ -</u>

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

Note 4. Iowa Schools Cash Anticipation Program (ISCAP) (continued)

The warrants bear interest and the available proceeds of the warrants are invested at the interest rates shown below:

<u>Series</u>	<u>Interest Rates on Warrants</u>	<u>Interest Rates on Investments</u>
2004-05A	3.000%	2.463%
2004-05B	3.500%	3.232%
2005-06A	3.500%	3.903%

Note 5. Capital Assets

Capital assets activity for the year ended June 30, 2005 is as follows:

	<u>Balance Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 253,500	\$ -	\$ -	\$ 253,500
Construction in progress	-	-	-	-
Total capital assets not being depreciated	<u>253,500</u>	<u>-</u>	<u>-</u>	<u>253,500</u>
Capital assets being depreciated:				
Buildings	5,996,768	-	-	5,996,768
Improvements other than buildings	342,258	-	-	342,258
Furniture and equipment	701,292	34,368	21,958	713,702
Total capital assets being depreciated	<u>7,040,318</u>	<u>34,368</u>	<u>21,958</u>	<u>7,052,728</u>
Less accumulated depreciation for:				
Buildings	2,177,379	112,156	-	2,289,535
Improvements other than buildings	258,044	10,475	-	268,519
Furniture and equipment	503,708	56,319	21,958	538,069
Total accumulated depreciation	<u>2,939,131</u>	<u>178,950</u>	<u>21,958</u>	<u>3,096,123</u>
Total capital assets being depreciated, net	<u>4,101,187</u>	<u>(144,582)</u>	<u>-</u>	<u>3,956,605</u>
Governmental activities capital assets, net	<u>\$ 4,354,687</u>	<u>\$ (144,582)</u>	<u>\$ -</u>	<u>\$ 4,210,105</u>

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

Note 5. Capital Assets (continued)

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Furniture and equipment	\$ 37,702	\$ -	\$ -	\$ 37,702
Less accumulated depreciation	23,170	2,413	-	25,583
Business-type activities capital assets, net	<u>\$ 14,532</u>	<u>\$ (2,413)</u>	<u>\$ -</u>	<u>\$ 12,119</u>

Depreciation expense was charged by the District to the following functions:

Governmental activities:

Instruction:

Regular

\$ 7,614

Support services:

Administration

4,038

Operation and maintenance of plant services

827

Transportation

43,840

56,319

Unallocated depreciation

122,631

Total governmental activities depreciation expense

\$ 178,950

Business-type activities:

Food service operations

\$ 2,413

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

Note 6. Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2005 is as follows:

	Early Retirement	General Obligation Bonds	Total
Balance beginning of year	\$ 227,025	\$ 3,045,000	\$ 3,272,025
Additions	43,674	-	43,674
Reductions	106,425	155,000	261,425
Balance end of year	<u>\$ 164,274</u>	<u>\$ 2,890,000</u>	<u>\$ 3,054,274</u>
Due within one year	<u>\$ 50,649</u>	<u>\$ 155,000</u>	<u>\$ 205,649</u>

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five on or before September 1 of the next fiscal year and employees must have completed fifteen years of continuous service to the District. Employees must submit a letter requesting early retirement by March 1st of the retirement year to be approved by the Board of Education. The early retirement incentive for each eligible employee is a percentage of the employee's base salary rate which is calculated as 50% of the employee's present year salary, excluding extracurricular, Phase II and Phase III monies, and any contract extensions. The benefit received will be 100% of the base rate if the employee retires in the first year of eligibility, 75% of the base rate if the employee retires in the second year of eligibility, and 50% of the base rate if the employee retires in the third year of eligibility. In addition, the District will offer single health insurance coverage until an individual reaches age 65 at an amount not to exceed \$225 per month. Early retirement benefits paid during the year ended June 30, 2005, totaled \$106,425. Early retirement is recorded as a long-term liability of the Governmental Activities in the District-wide financial statements.

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

Note 6. Long-Term Liabilities (continued)

Bonds Payable

Details of the District's June 30, 2005 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2006	3.00 %	\$ 155,000	\$ 104,765	\$ 259,765
2007	3.00	155,000	100,115	255,115
2008	3.00	160,000	95,465	255,465
2009	3.00	165,000	90,665	255,665
2010	3.10	170,000	85,715	255,715
2011	3.25	175,000	80,445	255,445
2012	3.45	185,000	74,758	259,758
2013	3.55	190,000	68,375	258,375
2014	3.70	195,000	61,630	256,630
2015	3.80	205,000	54,415	259,415
2016	3.90	210,000	46,625	256,625
2017	4.00	215,000	38,435	253,435
2018	4.10	230,000	29,835	259,835
2019	4.20	235,000	20,405	255,405
2020	4.30	245,000	10,535	255,535
Total		\$ 2,890,000	\$ 962,183	\$ 3,852,183

Note 7. Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the District is required to contribute 5.75% of annual covered payroll. Contribution requirements are established by State statute. The District's contributions to IPERS for the years ended June 30, 2005, 2004, and 2003 were \$181,769, \$180,887, and \$169,228 respectively, equal to the required contributions for each year.

Note 8. Risk Management

Iowa Valley Community School District is a member in the Iowa School Employees Benefits Association (ISEBA), an Iowa Code Chapter 28E organization. ISEBA is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. ISEBA was formed July 1999 for the purpose of managing and funding employee benefits. ISEBA provides coverage and protection in the following categories: dental, life and disability.

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

Note 8. Risk Management (continued)

In July 2004, ISEBA converted from a self-funded pool to a fully insured pool covered by Wellmark Blue Cross Blue Shield of Iowa. In December 2004, ISEBA issued assessments necessary to cover run-out claims received when the program converted from self-insured to fully-insured coverage. ISEBA is recovering the shortfall through a combination of assessments, deficit recovery charges and administrative cost reduction measures. Members that terminated from ISEBA on June 30, 2004 received an assessment in December 2004. The total assessment for terminated members is approximately \$3.9 million. The District's share of this assessment was \$16,038. The district is a plaintiff in a class action lawsuit disputing the assessments made by ISEBA. The outcome of the litigation and the final amount due on the assessment can not be determined at this time.

The District's contributions, which include deficit recovery assessments, to the risk pool are recorded as expenditures from its General Fund at the time of payment to the risk pool. District contributions to ISEBA for the year ended June 30, 2005 were \$34,407.

Members agree to continue membership in the pool for a period of not less than one full year. After such period, a member who has given 30 days prior written notice may withdraw.

Iowa Valley Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 9. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$189,855 for the year ended June 30, 2005 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 10. Financial Condition

The District's Major Fund, General Fund had an unreserved, undesignated deficit fund balance of \$529,347 at June 30, 2005. The District's non-major Special Revenue Fund, Student Activity had several individual account deficits at June 30, 2005. In addition, the District's governmental activities had an unrestricted net asset deficit of \$515,340 at June 30, 2005.

Required Supplementary Information

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances –
Budget and Actual (Cash Basis) – All Governmental Funds
and Proprietary Fund
Required Supplementary Information
Year Ended June 30, 2005

	Governmental Funds - Actual	Proprietary Fund - Actual	Actual	Budgeted Amounts Original and Final	Final to Actual Variance
RECEIPTS:					
Local sources	\$ 2,393,930	\$ 147,467	\$ 2,541,397	\$ 2,391,205	\$ 150,192
State sources	2,907,932	3,238	2,911,170	3,027,984	(116,814)
Federal sources	166,190	76,969	243,159	163,000	80,159
Total receipts	5,468,052	227,674	5,695,726	5,582,189	113,537
DISBURSEMENTS:					
Instruction	3,672,351	-	3,672,351	3,714,414	42,063
Support services	1,548,180	-	1,548,180	1,410,700	(137,480)
Non-instructional programs	3,250	234,549	237,799	262,500	24,701
Other expenditures	467,531	-	467,531	510,611	43,080
Total disbursements	5,691,312	234,549	5,925,861	5,898,225	(27,636)
Excess (deficiency) of receipts over (under) disbursements	(223,260)	(6,875)	(230,135)	(316,036)	85,901
Other financing sources, net	22,300	-	22,300	-	22,300
Excess (deficiency) of receipts and other financing sources over (under) disbursements	(200,960)	(6,875)	(207,835)	(316,036)	108,201
Balance beginning of year	279,620	34,015	313,635	332,101	(18,466)
Balance end of year	\$ 78,660	\$ 27,140	\$ 105,800	\$ 16,065	\$ 89,735

See accompanying independent auditor's report.

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule – Budget to GAAP Reconciliation
Required Supplementary Information
Year Ended June 30, 2005

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 5,468,052	\$ 33,213	\$ 5,501,265
Expenditures	5,691,312	26,763	5,718,075
Net	(223,260)	6,450	(216,810)
Other financing sources (uses)	22,300		22,300
Beginning fund balances	279,620	(409,667)	(130,047)
Ending fund balances	<u>\$ 78,660</u>	<u>\$ (403,217)</u>	<u>\$ (324,557)</u>
	Proprietary Fund		
	Enterprise		
	Cash Basis	Accrual Adjust- ments	Accrual Basis
Revenues	\$ 227,674	\$ (2,790)	\$ 224,884
Expenses	234,549	6,031	240,580
Net	(6,875)	(8,821)	(15,696)
Beginning net assets	34,015	12,375	46,390
Ending net assets	<u>\$ 27,140</u>	<u>\$ 3,554</u>	<u>\$ 30,694</u>

See accompanying independent auditor's report.

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING

June 30, 2005

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except private-purpose trust and agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the cash basis. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. The District did not amend the budget during the year ended June 30, 2005.

During the year ended June 30, 2005, disbursements in the support services function exceeded the amount budgeted.

Other Supplementary Information

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

June 30, 2005

	Special Revenue			
	Management Levy	Student Activity	Physical Plant and Equipment Levy	Debt Service
Assets				
Cash and pooled investments	\$ 9,894	\$ 103,617	\$ 68,544	\$ 10
Receivables:				
Property tax:				
Current year	3,956	-	2,032	2,728
Succeeding year	136,000	-	65,000	92,000
Income surtax	-	-	125,139	-
Total assets	<u>\$ 149,850</u>	<u>\$ 103,617</u>	<u>\$ 260,715</u>	<u>\$ 94,738</u>
Liabilities and Fund Equity				
Liabilities:				
Deferred revenue:				
Succeeding year property tax	\$ 136,000	\$ -	\$ 65,000	\$ 92,000
Other	-	-	125,139	-
Total liabilities	<u>136,000</u>	<u>-</u>	<u>190,139</u>	<u>92,000</u>
Fund equity:				
Fund balances:				
Reserved for:				
Debt service	-	-	-	2,738
Unreserved:				
Undesignated	13,850	103,617	70,576	-
Total fund equity	<u>13,850</u>	<u>103,617</u>	<u>70,576</u>	<u>2,738</u>
Total liabilities and fund equity	<u>\$ 149,850</u>	<u>\$ 103,617</u>	<u>\$ 260,715</u>	<u>\$ 94,738</u>

See accompanying independent auditor's report.

<u>Capital Projects</u>	<u>Total</u>
\$ 14,009	\$ 196,074
-	8,716
-	293,000
-	125,139
<u>\$ 14,009</u>	<u>\$ 622,929</u>

\$ -	\$ 293,000
-	125,139
-	418,139

-	2,738
14,009	202,052
14,009	204,790
<u>\$ 14,009</u>	<u>\$ 622,929</u>

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS

Year Ended June 30, 2005

	Special Revenue			
	Management Levy	Student Activity	Physical Plant and Equipment Levy	Debt Service
Revenues:				
Local sources:				
Local tax	\$ 151,097	\$ -	\$ 206,074	\$ 107,512
Other	28,041	164,113	832	318
State sources	136	-	70	94
Total revenues	179,274	164,113	206,976	107,924
Expenditures:				
Current:				
Instruction:				
Regular instruction	16,185	-	-	-
Other instruction	-	167,473	-	-
Support services:				
Student services	65	-	-	-
Instructional staff services	134,720	-	-	-
Administration services	1,866	-	-	-
Operation and maintenance of plant services	37,183	-	29,930	-
Transportation services	10,489	-	-	-
Non instructional programs	3,250	-	-	-
Other expenditures:				
Facilities acquisition	-	-	936	-
Long term debt:				
Principal	-	-	-	155,000
Interest and fiscal charges	-	-	-	109,415
Total expenditures	203,758	167,473	30,866	264,415
Excess (deficiency) of revenues over (under) expenditures	(24,484)	(3,360)	176,110	(156,491)
Other financing sources (uses):				
Interfund transfers in	-	-	-	155,800
Interfund transfers out	-	-	(155,800)	-
Total other financing sources (uses)	-	-	(155,800)	155,800

	Capital Projects	Total
\$	- \$	464,683
	-	193,304
	-	300
	-	658,287
	-	16,185
	-	167,473
	-	65
	-	134,720
	-	1,866
	-	67,113
	-	10,489
	-	3,250
	4,325	5,261
	-	155,000
	-	109,415
	4,325	670,837
	(4,325)	(12,550)
	-	155,800
	-	(155,800)
	-	-

IOWA VALLEY COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 Year Ended June 30, 2005

	Special Revenue			
	Management	Student	Physical Plant and Equipment Levy	Debt Service
	Levy	Activity	Levy	Service
Excess (deficiency) of revenues over (under) expenditures and other financing uses	\$ (24,484)	\$ (3,360)	\$ 20,310	\$ (691)
Fund balances beginning of year	38,334	106,977	50,266	3,429
Fund balances end of year	<u>\$ 13,850</u>	<u>\$ 103,617</u>	<u>\$ 70,576</u>	<u>\$ 2,738</u>

See accompanying independent auditor's report.

<u>Capital Projects</u>	<u>Total</u>
\$ (4,325)	\$ (12,550)
<u>18,334</u>	<u>217,340</u>
\$ <u><u>14,009</u></u>	\$ <u><u>204,790</u></u>

IOWA VALLEY COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 Year Ended June 30, 2005

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
AFS Club	\$ 1,920	\$ -	\$ 292	\$ 1,628
Annual	1,185	8,587	8,440	1,332
Band	1,897	5,486	5,949	1,434
Baseball	(2,898)	3,745	3,502	(2,655)
Basketball	13,337	8,202	15,689	5,850
Basketball Camp	203	10,833	6,174	4,862
Cheerleaders	(192)	7,675	7,783	(300)
Class of:				
2001	245	-	-	245
2002	311	-	-	311
2005	969	69	1,043	(5)
2006	50	5,854	6,251	(347)
Dramatics - Senior High/Junior High	2,194	986	503	2,677
Elementary - Student Council	1,051	2,296	2,539	808
FFA	19,155	16,622	21,468	14,309
FHA	573	323	391	505
Fine Arts Special Projects	3,431	6,768	3,827	6,372
Football	7,411	10,537	6,804	11,144
Football/Track Camps	-	3,180	2,711	469
Golf	(1,287)	428	395	(1,254)
Interest Income	13,195	1,093	3,541	10,747
National Honor Society	296	159	435	20
Pep Club	1,331	869	1,042	1,158
Playground Project Activities	1,658	-	1,285	373
S.O.A.R.	617	19,072	16,499	3,190
Softball	(3,157)	5,016	4,789	(2,930)
Softball Camp	-	2,185	920	1,265
Student Council	20,679	23,892	21,221	23,350
TAG - City Park Project	7	-	-	7
Tiger's Eye	1,848	111	255	1,704
Tiger Pride Videos	473	-	-	473
Track	9,445	5,765	8,814	6,396
Vocal Music	2,035	5,067	3,657	3,445
Volleyball	5,901	6,039	8,160	3,780
Volleyball Camp	(1,592)	5,233	3,636	5
Wrestling	4,686	3,721	5,158	3,249
Less: Intrafund Transfers	-	(5,700)	(5,700)	-
Total	\$ 106,977	\$ 164,113	\$ 167,473	\$ 103,617

See accompanying independent auditor's report.

IOWA VALLEY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION

ALL GOVERNMENTAL FUNDS
FOR THE LAST FOUR YEARS

	Modified Accrual Basis Years Ended June 30,			
	2005	2004	2003	2002
Revenues:				
Local sources:				
Local tax	\$ 1,999,518	\$ 1,897,254	\$ 1,799,747	\$ 1,728,285
Tuition	133,010	128,868	120,763	68,259
Other	307,765	267,197	284,304	292,219
Intermediate sources	-	-	-	4,334
State sources	2,906,807	2,877,692	2,790,844	2,775,266
Federal sources	154,165	130,142	93,537	94,663
Total revenues	<u>\$ 5,501,265</u>	<u>\$ 5,301,153</u>	<u>\$ 5,089,195</u>	<u>\$ 4,963,026</u>
Expenditures:				
Instruction:				
Regular instruction	\$ 2,378,420	\$ 2,460,637	\$ 2,247,791	\$ 2,199,116
Special instruction	726,870	608,264	630,701	564,453
Other instruction	580,345	564,862	513,901	511,669
Support services:				
Student services	196,432	187,120	172,539	189,020
Instructional staff services	216,939	176,739	103,352	106,506
Administration services	580,017	554,998	560,072	548,158
Operation and maintenance of plant services	407,681	386,385	358,302	286,121
Transportation services	150,272	157,650	109,701	95,650
Central and other support services	-	18,723	620	-
Non-instructional programs	21,568	2,755	18,297	19,795
Other expenditures:				
Facilities acquisition	5,261	338,121	450,965	1,439,259
Long-term debt:				
Principal	155,000	125,000	110,000	105,000
Interest and fiscal charges	109,415	140,637	174,521	181,382
AEA flowthrough	189,855	191,905	198,852	198,322
Total expenditures	<u>\$ 5,718,075</u>	<u>\$ 5,913,796</u>	<u>\$ 5,649,614</u>	<u>\$ 6,444,451</u>

See accompanying independent auditor's report.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

To the Board of Education of
Iowa Valley Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Iowa Valley Community School District as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated December 2, 2005. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Iowa Valley Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part I of the accompanying Schedule of Findings.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe items I-A-05 and I-B-05 are material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Iowa Valley Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of noncompliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about Iowa Valley Community School District's operations for the year ended June 30, 2005 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Iowa Valley Community School District and other parties to whom Iowa Valley Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Iowa Valley Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Oskaloosa, Iowa
December 2, 2005

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2005

Part I: Findings Related to the General Purpose Financial Statements:

Instances of Non-Compliance:

No matters were reported.

Reportable Conditions:

I-A-05 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the posting of disbursements to the journals, check preparation and the payroll are all done by the same person in the General and Schoolhouse Funds.

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, we recommend that the District review its control procedures to obtain the maximum internal control possible under the circumstances.

Response – We will continue to investigate available alternatives as responsibilities change and implement whenever possible. A second individual has handled the posting of the receipts, and check signing areas as well as check preparation in the School Nutrition and Activity Funds in past years. We hope to further increase the extent of the individual's duties in the future.

Conclusion – Response accepted.

I-B-05 Financial Condition – At June 30, 2005, the District's Major Fund, General Fund had an unreserved, undesignated deficit fund balance of \$529,347. The Special Revenue Fund, Student Activity had several deficit balances in individual accounts within the fund. In addition, the District's governmental activities had an unrestricted net assets deficit of \$515,340.

Recommendation – The District should investigate alternatives to eliminate these deficits and return the General Fund and governmental activities to sound conditions and insure that individual student activity accounts are monitored more closely.

Response – We will investigate alternatives to eliminate these deficits. We will look at current procedures for Student Activity Fund disbursements and decide how to eliminate these deficit balances.

Conclusion – Response accepted.

I-C-05 Fundraising Activities – We noted in our testing of the Special Revenue Fund, Student Activity receipts that the District requires reconciliations for fundraising activities. However, this policy is not always enforced.

Recommendation – The District should enforce procedures for fundraiser approvals and reconciliations of fundraising receipts claimed to deposits and related expenditures. This will ensure accurate record-keeping and help to protect the underlying assets.

Response – We will discuss possible procedures to enforce this situation better.

Conclusion – Response accepted.

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2005

Part I: Findings Related to the General Purpose Financial Statements (continued):

Reportable Conditions (continued):

I-D-05 Support Documentation – We noted three of twenty-eight receipts specifically tested which had no supporting documentation as to date received, costs per student, records of food sold, and purpose, other than a bank deposit slip. We also noted one disbursement of forty tested that lacked full documentation, such as invoices or receipts.

Recommendation – The District should require all receipts be properly supported as to when received, the dollar amount, and the purpose behind the receipt to protect the underlying asset and insure timely and accurate recording of revenues. The District also should require full supporting documentation before making any disbursements or obtain and document Board approval to make a payment with the understanding the necessary documentation will be subsequently provided.

Response – We will consider these suggestions and will change our receipt and disbursement procedures so that all support documentation is retained and documented.

Conclusion – Response accepted.

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2005

Part II: Other Findings Related to Statutory Reporting:

II-A-05 Official Depositories – Official depositories have been approved by the District. The maximum deposit amounts approved were not exceeded during the year ended June 30, 2005.

II-B-05 Certified Budget – Disbursements for the year ended June 30, 2005, exceeded the amount budgeted in the support services function. Expenditures also exceeded the District's spending authority by approximately \$55,151, in violation of section 257.7 of the Code of Iowa.

Recommendation – The budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before disbursements were allowed to exceed the budget. The District should contact the Department of Management and the School Business Review Committee to resolve the matter of exceeding the spending authority.

Response – We will amend our budget before disbursements exceed the budget in the future, and we will contact the proper agencies to resolve our spending authority situation.

Conclusion – Response accepted.

II-C-05 Questionable Expenditures – No expenditures were noted that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

II-D-05 Travel Expense – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

II-E-05 Business Transactions – Business transactions between the District and District officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Jane Fry, Board Member	Piano accompaniment	\$ 385

The transaction with Board Member Fry does not appear to represent a conflict of interest since the transaction was less than the maximum allowed as provided by Chapter 279.7A of the Code of Iowa.

II-F-05 Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

II-G-05 Board Minutes – We noted no transactions requiring Board approval which had not been approved by the Board.

II-H-05 Certified Enrollment – No variances in the basic enrollment data certified to the Department of Education were noted.

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2005

Part II: Other Findings Related to Statutory Reporting (continued):

II-I-05 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District’s investment policy were noted.

II-J-05 Certified Annual Report – We noted no material differences on the Certified Annual Report. However, the report was not filed with the Department of Education in a timely manner.

Recommendation – In the future, the District should file the Certified Annual Report in a timely manner.

Response – We will file our Certified Annual Report in a timely manner in the future. We wanted to ensure an accurate report so we waited for audited figures to file the report.

Conclusion – Response accepted.

II-K-05 Sale of Equipment – During the year ended June 30, 2005, the District sold several band instruments. The District did not publish notice of the sale for consecutive weeks in accordance with Chapter 297.22 of the Code of Iowa.

Recommendation – The District should publish the required notices for sale of District property in accordance with Chapter 297.22 of the Code of Iowa.

Response – We will comply with Chapter 297.22 of the Code of Iowa in the future.

Conclusion – Response accepted.

II-L-05 Student Activity Fund – We noted transactions being recorded through the Student Activity Fund such as scholarships that would more appropriately be accounted for in Trust Funds.

Recommendation – The Student Activity Fund is to be used to account for money received from student related activities such as admission, activity fees, student dues, student fund-raising events, or other student related cocurricular activities as stated in the administrative rules of the Department of Education. All scholarship related payments should be made directly from the private purpose trust fund.

Response – We will be reviewing these transactions in the next year and transferring items to more appropriate funds. We will look at the remaining accounts and determine which fund would be most appropriate for them.

Conclusion – Response accepted.

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2005

Part II: Other Findings Related to Statutory Reporting (continued):

- II-M-05 Grant Expenditure Coding – We noted that the District does not assign a federal expenditure code to expenditures for three federal grants received by the District.

Recommendation – All federal grant expenditures should include an account number which includes a grant-specific program code. These numbers are assigned by the Department of Education or by the grant award agency to enable the tracking of the specific grant through the District's records. The District should obtain these program codes for state and federal grants and assign these numbers to all grant expenditures.

Response – We will obtain the proper program code numbers and assign these numbers to all grant expenditures in the future.

Conclusion – Response accepted.

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